

**AuTrain-Onota Public School District  
Deerton, Michigan**

**FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
AuTrain-Onota Public School District  
PO BOX 105  
Deerton, MI 49822

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of AuTrain-Onota Public School District, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AuTrain-Onota Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District, as of June 30, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, on our consideration of the AuTrain-Onota Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
AuTrain-Onota Public School District  
PO BOX 105  
Deerton, MI 49822

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the AuTrain-Onota Public School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 19, 2008

## **AuTrain-Onota Public School District Management's Discussion and Analysis (Unaudited)**

Our discussion and analysis of AuTrain-Onota Public School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 12.

### FINANCIAL HIGHLIGHTS

- Net assets for AuTrain-Onota Public School District as a whole were reported at \$693,728. Net assets are comprised of 100% governmental activities.
- During the year, AuTrain-Onota Public School District expenses were \$704,967, while revenues from all sources totaled \$827,443, resulting in an increase in net assets of \$122,476.
- The general fund reported an increase of \$126,686 before other financing sources (uses) and a total increase of \$64,852. This is \$997 or 2% higher than the forecasted increase of \$63,855.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand AuTrain-Onota Public School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds.

### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the AuTrain-Onota Public School District as a whole begins on page 6. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – are one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

## Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's *governmental* funds use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Table 1 Net Assets		
	Governmental Activities – 2008	Governmental Activities – 2007
Current and other assets	\$ 619,030	\$ 485,561
Capital assets, net	182,506	183,816
Total Assets	801,536	669,377
Current liabilities	83,927	75,310
Long-term liabilities	23,881	22,815
Total Liabilities	107,808	98,125
Net Assets:		
Invested in capital assets, net of related debt	182,506	183,816
Restricted	-	-
Unrestricted	511,222	387,436
Total Net Assets	\$ 693,728	\$ 571,252

## Management's Discussion and Analysis (Unaudited) (Continued)

The School District's net assets were \$693,728 at June 30, 2008. Capital assets, net of related debt totaling \$182,506, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$511,222 was unrestricted.

The \$511,222 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

TABLE 2  
CHANGE IN NET ASSETS

	Governmental Activities – 2008	Governmental Activities – 2007
Revenues:		
Program revenues:		
Charges for services	\$ 6,116	\$ 6,736
Operating grants and contributions	117,967	122,642
General revenues:		
Property taxes	676,500	640,066
Investment earnings	11,958	15,287
Miscellaneous	14,902	19,473
Total Revenues	<u>827,443</u>	<u>804,204</u>
Program Expenses:		
Instruction	332,800	320,154
Supporting services	324,833	281,614
Community Services	14,223	9,216
Payments to other governmental units	11,784	14,903
Food service activities	21,327	40,377
Total Expenses	<u>704,967</u>	<u>666,264</u>
Increase (decrease) in net assets	122,476	137,940
Net assets, beginning	<u>571,252</u>	<u>433,312</u>
Net Assets, Ending	<u>\$ 693,728</u>	<u>\$ 571,252</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$704,967. Certain activities were partially funded from those who benefited from the programs \$6,116 or by other governments and organizations that subsidized certain programs with grants and contributions \$117,967. We paid for the remaining "public benefit" portion of our governmental activities with \$676,500 in taxes and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$122,476.

## Management's Discussion and Analysis (Unaudited) (Continued)

Key reasons for change in net assets are as follows:

- Net increase in governmental fund balances of \$124,852
- Depreciation charged to expense of \$(12,992)
- Capital outlay reclassified to asset \$11,681
- Change in compensated absences \$(1,065)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 332,800	\$ 229,305
Supporting services	324,833	324,833
Community Services	14,223	13,128
Payments to other governmental units	11,784	11,784
Food service activities	21,327	1,834

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$535,103, an increase of \$124,852 from the beginning of the year.

The change in combined fund balance was a result of AuTrain-Onota Public Schools making a conscious effort to try and reduce spending to maintain a fund balance that will assist the School in remaining financially stable for the upcoming year.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District's Board revised its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget occurred during the annual budget reviews in January and June 2008.

## Management's Discussion and Analysis (Unaudited) (Continued)

### BUDGETED REVENUES

General Fund Revenues changed from original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$ 700,445</u>	<u>\$ 808,075</u>	<u>\$ 107,630</u>	<u>15%</u>

AuTrain-Onota Public School's final budgeted revenues differed from the original budget as follows:

The significant increase in revenue can be attributed mainly to grants and an increase in property tax revenues, which were received as homestead denials and tax commission orders. Grant revenues are recognized on the financial statements once the School District receives formal notice of the award and approval from the grantor. Minimal grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget.

### BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$ 645,686</u>	<u>\$ 682,119</u>	<u>\$ (36,433)</u>	<u>6%</u>

AuTrain-Onota Public School's final budgeted expenditures differed from the original budget as follows:

The minimal increase in expenditures can be attributed to making a conscious effort to reduce spending, while at the same time adding specific expenditures related to grant approvals.

### ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	<u>\$ 808,075</u>	<u>\$ 807,950</u>	<u>\$ (125)</u>	<u>0.01%</u>

AuTrain-Onota Public School's final budgeted revenues differed from the actual revenues as follows:

The slight increase in actual revenue is immaterial in amount.

## Management's Discussion and Analysis (Unaudited) (Continued)

### ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	\$ 682,119	\$ 681,264	\$ 855	0.01%

AuTrain-Onota Public School's final budgeted expenditures differed from the actual revenues as follows:

The slight decrease in actual expenditures is immaterial in amount.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

At June 30, 2008 and 2007, the School District had \$182,506 and \$183,816, respectively invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

TABLE 4  
Capital Assets

	Governmental Activities – 2008	Governmental Activities – 2007
Land	\$ 1,365	\$ 1,365
Land improvements	10,700	10,700
Buildings	378,255	378,255
Equipment and furnishings	17,434	5,753
Buses	107,688	100,924
Capital Assets	515,442	496,997
Less accumulated depreciation	(332,936)	(313,181)
Totals	\$ 182,506	\$ 183,816

The School District had additions to capital assets in 2007-2008. We purchased a new vehicle with snow plow. We anticipate capital additions for the 2008-2009 fiscal years will be comparable to the 2007-2008 fiscal years.

Depreciation expense for the year was \$12,992.

#### ***Debt***

At June 30, 2008 and 2007, the School District had bonds outstanding as depicted in Table 5 below.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities – 2008	Governmental Activities – 2007
Notes Payable	\$ -	\$ -
School Bus Loan	-	-
TOTAL	\$ -	\$ -

## **Management's Discussion and Analysis (Unaudited) (Continued)**

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2009 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 80 percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget as it did in 2008. School districts throughout the state must adjust their budgets if the State decreases the pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2008-09 school years, the state of the economy on a state and national level will be reflected in our budget.

### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the AuTrain-Onota Public School District Administration, P.O. Box 105, Deerton, Michigan, 49822.

**AuTrain-Onota Public School District**

**Statement of Net Assets**

**June 30, 2008**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 544,258
Receivables:	
Accounts receivable	-
Due from other governmental units	74,485
Inventories	287
<b>TOTAL CURRENT ASSETS</b>	<b>619,030</b>
<b>Non-current assets:</b>	
Land and construction in progress	1,365
Capital assets	514,077
Less accumulated depreciation	(332,936)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>182,506</b>
<b>TOTAL ASSETS</b>	<b>801,536</b>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	16,509
Accrued liabilities	56,450
Accrued interest	-
Current portion of long term debt obligations	-
Deferred revenue	10,968
<b>TOTAL CURRENT LIABILITIES</b>	<b>83,927</b>
<b>Non-current liabilities:</b>	
Non-current portion of long term debt obligations	-
Non-current portion of employee benefit obligations	23,881
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>23,881</b>
<b>TOTAL LIABILITIES</b>	<b>107,808</b>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	182,506
Unrestricted	511,222
<b>TOTAL NET ASSETS</b>	<b>\$ 693,728</b>

See Notes to Financial Statements.

**AuTrain-Onota Public School District**

**Statement of Activities**

**For the Year Ended June 30, 2008**

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 332,800	\$ -	\$ 103,495	\$ (229,305)
Supporting services	324,833	-	-	(324,833)
Community services	14,223	-	1,095	(13,128)
Payments to others	11,784	-	-	(11,784)
Food service activities	21,327	6,116	13,377	(1,834)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>704,967</b>	<b>6,116</b>	<b>117,967</b>	<b>(580,884)</b>
<b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				676,500
State Aid not restricted to specific purposes				-
General				11,958
Interest and investment earnings				14,902
Miscellaneous				
<b>TOTAL GENERAL REVENUES</b>				<b>703,360</b>
<b>CHANGES IN NET ASSETS</b>				<b>122,476</b>
Net Assets , July 1				<b>571,252</b>
<b>NET ASSETS, JUNE 30</b>				<b>\$ 693,728</b>

See Notes to Financial Statements.

**AuTrain-Onota Public School District**

**Governmental Funds**

**Balance Sheet**

**June 30, 2008**

	<b>General Fund</b>	<b>Other Non-major Governmental Funds (Lunch Fund)</b>	<b>Other Non-major Governmental Funds (Capital Projects)</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 484,580	\$ -	\$ 60,000	\$ 544,580
Receivables:				
Accounts receivable	-	-	-	-
Due from other governmental units	74,450	35	-	74,485
Due from other funds	-	-	-	-
Inventories	-	287	-	287
<b>TOTAL ASSETS</b>	<b>\$ 559,030</b>	<b>\$ 322</b>	<b>\$ 60,000</b>	<b>\$ 619,352</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Overdraft - cash and cash equivalents	\$ -	\$ 322	\$ -	\$ 322
Accounts payable	16,509	-	-	16,509
Accrued liabilities	56,450	-	-	56,450
Due to other funds	-	-	-	-
Deferred revenue	10,968	-	-	10,968
<b>TOTAL LIABILITIES</b>	<b>83,927</b>	<b>322</b>	<b>-</b>	<b>84,249</b>
<b>FUND BALANCES:</b>				
Unreserved	475,103	-	60,000	535,103
<b>TOTAL FUND BALANCES</b>	<b>475,103</b>	<b>-</b>	<b>60,000</b>	<b>535,103</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 559,030</b>	<b>\$ 322</b>	<b>\$ 60,000</b>	<b>\$ 619,352</b>

See Notes to Financial Statements.

**AuTrain-Onota Public School District**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

**June 30, 2008**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>535,103</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Cost of capital assets	515,442	
Accumulated depreciation	(332,936)	
		182,506

Long-term liabilities are not due and payable in the current period and are  
not reported in the funds. Long-term liabilities at year-end consist of:

Accrued Interest Payable	-	
Current portion of long term debt obligations	-	
Non-current portion of long term debt obligations	-	
Non-current portion of employee benefit obligations	23,881	
		(23,881)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>693,728</b>
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**AuTrain-Onota Public School District**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Other Non-major Governmental Funds (Lunch Fund)</b>	<b>Other Non-major Governmental Funds (Capital Projects)</b>	<b>Total</b>
<b>REVENUES:</b>				
Federal sources	\$ 38,652	\$ 11,553	\$ -	\$ 50,205
State sources	44,951	1,824	-	46,775
Local sources:	<u>724,347</u>	<u>6,116</u>	<u>-</u>	<u>730,463</u>
<b>TOTAL REVENUES</b>	<u>807,950</u>	<u>19,493</u>	<u>-</u>	<u>827,443</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	331,735	-	-	331,735
Supporting Services	323,522	-	-	323,522
Community Services	14,223	-	-	14,223
Payments to others	11,784	-	-	11,784
Food service activities	<u>-</u>	<u>21,327</u>	<u>-</u>	<u>21,327</u>
<b>TOTAL EXPENDITURES</b>	<u>681,264</u>	<u>21,327</u>	<u>-</u>	<u>702,591</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>126,686</u>	<u>(1,834)</u>	<u>-</u>	<u>124,852</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	1,834	60,000	61,834
Transfers (out)	<u>(61,834)</u>	<u>-</u>	<u>-</u>	<u>(61,834)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(61,834)</u>	<u>1,834</u>	<u>60,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	64,852	-	60,000	124,852
Fund Balance, July 1	<u>410,251</u>	<u>-</u>	<u>-</u>	<u>410,251</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 475,103</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,000</u></u>	<u><u>\$ 535,103</u></u>

See Notes to Financial Statements.

**AuTrain-Onota Public School District**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities**

**For the Year Ended June 30, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>124,852</b>
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(12,992)	
Capital outlays - Supporting Services	<u>11,681</u>	(1,311)

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(1,065)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>122,476</u></b>
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# AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### **NOTE A – THE FINANCIAL REPORTING ENTITY:**

The School District operates under an elected Board of Education of five (5) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the AuTrain-Onota Public Schools. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the AuTrain-Onota Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **BASIS OF PRESENTATION**

##### *District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

##### *Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report

into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

### Governmental Funds

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service.

**Capital Project Funds** – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

### Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Investments

Investments are carried at market value.

### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

### Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

### Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

#### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

### Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 1 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Expenses/Expenditures

#### *District-Wide Statements*

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

### Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE C – DEPOSITS AND INVESTMENTS:**

### Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets.

**NOTE C – DEPOSITS AND INVESTMENTS (Continued):**

	Primary Government	Total
Unrestricted:		
Cash and cash equivalents	\$ 544,258	\$ 544,258
TOTALS	\$ 544,258	\$ 544,258

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$544,258 and the bank balance was \$565,298. The bank balance is categorized as follows.

Amount insured by the FDIC	\$ 100,000
Amount uncollateralized and uninsured	465,298
	<u>\$ 565,298</u>

**Investments**

As of June 30, 2008, the School did not have any investments.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School's investments. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

Michigan statutes (Act 196, PA 1997) authorize the School to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School has no investment policy that would further limit its investment choices. Ratings are not required for the School's investment in U.S. Government Agencies or equity-type funds.

***Concentration of Credit Risk***

The School places no limit on the amount the School may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

**NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governmental units consist of \$74,485 due from governmental units for the operation of special programs and grant projects.

**NOTE E – ACCRUED LIABILITIES:**

A summary of accrued liabilities at June 30, 2008 as follows:

	<u>Governmental Activities</u>
Accrued wages	\$ 33,571
Accrued health insurance	14,699
Accrued lieu of insurance	-
Accrued retirement	5,612
Accrued payroll taxes	2,568
Total	<u>\$ 56,450</u>

**NOTE F – ACCRUED EMPLOYEE BENEFITS:**

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment of 1/10<sup>th</sup> of their final contract wage.

As of June 30, 2008, accrued employee benefits reported in the Statement of Net Assets consist of the following:

Sick Leave	\$ 1,108
Accrued Retirement	<u>22,773</u>
Total	<u>\$ 23,881</u>

**NOTE G – CAPITAL ASSETS:**

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 1,365	\$ -	\$ -	\$ 1,365
Construction in progress	-	-	-	-
Total Capital assets not being depreciated	<u>1,365</u>	<u>-</u>	<u>-</u>	<u>1,365</u>
Capital assets being depreciated:				
Land improvements	10,700	-	-	10,700
Buildings and additions	378,255	-	-	378,255
Equipment and furniture	5,753	11,681	-	17,434
School buses	107,688	-	-	107,688
Total Capital Assets	<u>502,396</u>	<u>11,681</u>	<u>-</u>	<u>514,077</u>
Less accumulated depreciation:				
Land improvements	(10,700)	-	-	(10,700)
Buildings and additions	(229,789)	(6,598)	-	(236,387)
Equipment and furniture	(1,918)	(2,513)	-	(4,431)
School buses	(77,538)	(3,880)	-	(81,418)
Total Accumulated Depreciation	<u>(319,945)</u>	<u>(12,991)</u>	<u>-</u>	<u>(332,936)</u>
CAPITAL ASSETS, NET	<u>\$ 183,816</u>	<u>\$ (1,310)</u>	<u>\$ -</u>	<u>\$ 182,506</u>

Depreciation expense charged to supporting services was \$12,991.

## NOTE H – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2007 – August 2008.

The School District also received revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

## NOTE I – INTERFUND RECEIVABLES AND PAYABLES:

AuTrain-Onota Public School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		DUE FROM OTHER FUNDS	
		General Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	Lunch Fund	\$ -	\$ -
	Total Due From Other Funds	\$ -	\$ -

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		Transfer Out To Other Funds	
		General Fund	Total Transfer In
Transfer In From Other Funds	Lunch Fund	\$ 1,834	\$ 1,834
	Capital Projects Fund	60,000	60,000
	Total Transfer Out	\$ 61,834	\$ 61,834

## **NOTE I – INTERFUND RECEIVABLES AND PAYABLES (Continued):**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## **NOTE J – NON-MONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$914 during fiscal 2008 in revenues and expenditures for USDA commodities.

## **NOTE K – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 31, 2007 totaled \$57,438,397 (\$21,348,864 designated as Homestead and \$36,089,533 designated as Non-Homestead). The total tax levied consists of 18.0000 mills for the General Fund.

## **NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service. The MPSERS also provides death, disability, health, medical, dental, and vision and hearing insurance coverage. Benefits are established by state statute.

The MPSERS also provides death, disability, health, medical, dental and vision and hearing insurance coverage. Benefits are established by State Statute.

## **NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$64,039 which consisted of \$54,622 from the District and \$9,417 from employees electing the MIP option. These represent approximately 16.96% and 2.92% of covered payroll, respectively. The School District's contributions to MPSERS for 2007 were \$65,539 and for 2006 \$58,173.

Payroll paid to employees covered by the System for the year ended June 30, 2008 was approximately \$322,092. The District's total payroll was approximately \$324,243.

### Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

## **NOTE M – CONTINGENT LIABILITIES:**

### Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

### Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

**NOTE N – LONG-TERM OBLIGATIONS:**

A summary of long-term obligations at June 30, 2008, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Employee Benefits – Sick and Vacation Leave	<u>\$ 22,816</u>	<u>\$ 1,065</u>	<u>\$ -</u>	<u>\$ 23,881</u>
TOTAL LONG-TERM DEBT	<u>\$ 22,816</u>	<u>\$ 1,065</u>	<u>\$ -</u>	<u>\$ 23,881</u>

## REQUIRED SUPPLEMENTAL INFORMATION

**AuTrain-Onota Public School District**

**General Fund**

**Budgetary Comparison Schedule**

**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local sources	\$ 667,707	\$ 724,378	\$ 724,347	\$ 56,671	\$ (31)
State sources	21,272	44,950	44,951	23,678	1
Federal sources	11,466	38,747	38,652	27,281	(95)
<b>TOTAL REVENUES</b>	<u>700,445</u>	<u>808,075</u>	<u>807,950</u>	<u>107,630</u>	<u>(125)</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic Instruction	264,498	265,882	265,373	(1,384)	509
Special Education	59,133	66,317	66,362	(7,184)	(45)
<b>Total Instruction</b>	<u>323,631</u>	<u>332,199</u>	<u>331,735</u>	<u>(8,568)</u>	<u>464</u>
<b>Supporting Services:</b>					
Pupil Supporting Services	4,900	5,978	5,900	(1,078)	78
Instructional Supporting Services	5,322	18,413	17,868	(13,091)	545
General Administration	82,108	82,510	82,784	(402)	(274)
Business Support	36,290	40,082	40,081	(3,792)	1
Operation and Maintenance	87,947	91,942	91,742	(3,995)	200
Pupil Transportation	69,429	80,176	80,334	(10,747)	(158)
Central Services	4,196	4,813	4,813	(617)	-
<b>Total Supporting Services</b>	<u>290,192</u>	<u>323,914</u>	<u>323,522</u>	<u>(33,722)</u>	<u>392</u>
<b>Community Services:</b>					
Direction	9,383	-	-	9,383	-
Recreation	-	22	22	(22)	-
Activities	-	9,500	9,501	(9,500)	(1)
Other	10,000	4,700	4,700	5,300	-
<b>Total Community Services</b>	<u>19,383</u>	<u>14,222</u>	<u>14,223</u>	<u>5,161</u>	<u>(1)</u>
<b>Payments to Others</b>					
Title I Pass Through	12,480	11,784	11,784	696	-
<b>Total Payments to Others</b>	<u>12,480</u>	<u>11,784</u>	<u>11,784</u>	<u>696</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>645,686</u>	<u>682,119</u>	<u>681,264</u>	<u>(36,433)</u>	<u>855</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>54,759</u>	<u>125,956</u>	<u>126,686</u>	<u>71,197</u>	<u>730</u>
<b>OTHER FINANCING SOURCES (Uses)</b>					
Transfers out	(16,345)	(62,101)	(61,834)	(45,756)	267
<b>NET CHANGE IN FUND BALANCE</b>	<u>38,414</u>	<u>63,855</u>	<u>64,852</u>	<u>25,441</u>	<u>997</u>
Fund Balance, July 1	<u>410,251</u>	<u>410,251</u>	<u>410,251</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 448,665</u>	<u>\$ 474,106</u>	<u>\$ 475,103</u>	<u>\$ 25,441</u>	<u>\$ 997</u>

## OTHER SUPPLEMENTAL INFORMATION

**AuTrain-Onota Public School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Local Sources:			
Property tax levy	\$ 651,613	\$ 651,613	\$ -
National forest reserve	24,887	24,887	-
Income from investments	11,800	11,958	158
USF contribution	8,000	7,715	(285)
Miscellaneous grants	9,285	9,584	299
County special education	11,400	11,403	3
Medicaid school based services	588	784	196
Other local revenue	6,805	6,403	(402)
Total Local Sources	724,378	724,347	(31)
State Sources:			
Restricted - received through the state			
Michigan school readiness	29,672	29,672	-
Special education	15,278	15,279	1
Total State Sources	44,950	44,951	1
Federal Sources:			
Restricted - received through the federal government:			
REAP	14,780	14,828	48
Restricted - received through the state:			
Self Provider Self Review	1,095	1,095	-
Title I, Part A	14,935	14,792	(143)
Title V, Part A	64	64	-
Title II, Part A	5,358	5,358	-
Title II, Part D	28	28	-
Restricted - received through others:			
MARESA	1,270	1,270	-
MCISD	1,217	1,217	-
Total Federal Sources	38,747	38,652	(95)
<b>TOTAL REVENUES</b>	<b>808,075</b>	<b>807,950</b>	<b>(125)</b>
<b>EXPENDITURES:</b>			
Instruction:			
Basic Instruction:			
Elementary			
Salaries	145,485	145,485	-
Employee benefits	82,452	82,450	2
Purchased services	679	668	11
Supplies and materials	12,230	12,192	38
Capital outlay	1,035	681	354
Other expense	202	202	-
Total Elementary	242,083	241,678	405

**AuTrain-Onota Public School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Pre-School			
Salaries	\$ 14,801	\$ 14,801	\$ -
Employee benefits	7,555	7,554	1
Purchased services	-	-	-
Supplies and materials	1,198	1,095	103
Capital outlay	-	-	-
Other expense	245	245	-
Total Pre-School	23,799	23,695	104
Total Basic Instruction	265,882	265,373	509
Added Needs			
Special Education			
Salaries	35,567	35,567	-
Employee benefits	8,707	8,707	-
Purchased services	-	-	-
Supplies and materials	241	241	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Special Education	44,515	44,515	-
Compensatory Education			
Salaries	12,763	12,763	-
Employee benefits	5,258	5,256	2
Purchased services	175	175	-
Supplies and materials	3,606	3,653	(47)
Capital outlay	-	-	-
Other expense	-	-	-
Total Compensatory Education	21,802	21,847	(45)
Total Added Needs	66,317	66,362	(45)
<b>TOTAL INSTRUCTION</b>	<b>332,199</b>	<b>331,735</b>	<b>464</b>
<b>Supporting Services:</b>			
Pupil Supporting Services			
Pupil Support			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	308	308	-
Supplies and materials	80	80	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Pupil Support	388	388	-

**AuTrain-Onota Public School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Speech Therapist			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	5,590	5,512	78
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Speech Therapist	5,590	5,512	78
Total Pupil Supporting Services	5,978	5,900	78
Instructional Support Services			
Improvement of Instruction			
Salaries	1,636	1,636	-
Employee benefits	382	382	-
Purchased services	865	865	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Improvement of Instruction	2,883	2,883	-
Education Media			
Salaries	421	421	-
Employee benefits	104	103	1
Purchased services	-	-	-
Supplies and materials	2,042	2,042	-
Capital outlay	-	-	-
Other expense	785	785	-
Total Education Media	3,352	3,351	1
Technology Assisted			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	1,128	1,128	-
Capital outlay	11,000	10,439	561
Other expense	-	-	-
Total Technology Assisted	12,128	11,567	561
Supervision and Direction			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	50	67	(17)
Supplies and materials	-	-	-

**AuTrain-Onota Public School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Capital outlay	\$ -	\$ -	\$ -
Other expense	-	-	-
Total Supervision and Direction	50	67	(17)
Total Instructional Support Services	18,413	17,868	545
<b>General Administration Support Services</b>			
Board of Education:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	9,430	9,615	(185)
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	874	874	-
Total Board of Education	10,304	10,489	(185)
School Administration:			
Salaries	46,313	46,313	-
Employee benefits	23,495	23,495	-
Purchased services	1,300	1,367	(67)
Supplies and materials	306	306	-
Capital outlay	-	-	-
Other expense	792	814	(22)
Total School Administration	72,206	72,295	(89)
Total General Administration Support Services	82,510	82,784	(274)
<b>Business Support Services</b>			
Fiscal Services			
Salaries	13,140	13,140	-
Employee benefits	12,231	12,230	1
Purchased services	2,464	2,464	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Fiscal Services	27,835	27,834	1
<b>Internal Services</b>			
Salaries	200	200	-
Employee benefits	49	49	-
Purchased services	1,854	1,854	-
Supplies and materials	282	282	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Internal Services	2,385	2,385	-

**AuTrain-Onota Public School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other Business Services			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	1,750	1,750	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	8,112	8,112	-
Total Other Business Services	9,862	9,862	-
Total Business Support Services	40,082	40,081	1
Operations and Maintenance			
Operation and Maintenance:			
Salaries	22,542	22,542	-
Employee benefits	6,126	6,215	(89)
Purchased services	23,253	23,009	244
Supplies and materials	39,853	39,808	45
Capital outlay	-	-	-
Other expense	-	-	-
Total Operations and Maintenance	91,774	91,574	200
Security			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	168	168	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Security	168	168	-
Total Operations and Maintenance	91,942	91,742	200
Pupil Transportation:			
Salaries	19,406	19,406	-
Employee benefits	23,132	23,131	1
Purchased services	26,485	26,644	(159)
Supplies and materials	11,083	11,083	-
Capital outlay	-	-	-
Other expense	70	70	-
Total Pupil Transportation	80,176	80,334	(158)

**AuTrain-Onota Public School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Central Support			
Central Support Services			
Salaries	\$ 800	\$ 800	\$ -
Employee benefits	195	195	-
Purchased services	1,109	1,109	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Central Support Services	<u>2,104</u>	<u>2,104</u>	<u>-</u>
Pupil Accounting			
Salaries	1,445	1,445	-
Employee benefits	1,264	1,264	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Pupil Accounting	<u>2,709</u>	<u>2,709</u>	<u>-</u>
Total Central Support	<u>4,813</u>	<u>4,813</u>	<u>-</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>323,914</u>	<u>323,522</u>	<u>392</u>
<b>Community Services:</b>			
Direction			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Direction	<u>-</u>	<u>-</u>	<u>-</u>
Recreation			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	22	22	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Recreation	<u>22</u>	<u>22</u>	<u>-</u>

**AuTrain-Onota Public School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Activities			
Salaries	\$ 2,500	\$ 2,485	\$ 15
Employee benefits	666	581	85
Purchased services	2,458	2,260	198
Supplies and materials	3,876	3,493	383
Capital outlay	-	682	(682)
Other expense	-	-	-
Total Activities	9,500	9,501	(1)
Other			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	4,700	4,700	-
Other expense	-	-	-
Total Other	4,700	4,700	-
<b>TOTAL COMMUNITY SERVICES</b>	14,222	14,223	(1)
<b>Payments to Others</b>			
Title I Pass Through	11,784	11,784	-
<b>TOTAL PAYMENTS TO OTHERS</b>	11,784	11,784	-
<b>TOTAL EXPENDITURES</b>	682,119	681,264	855
<b>EXCESS REVENUES (EXPENDITURES)</b>	125,956	126,686	730
<b>Other Financing Sources (Uses):</b>			
Transfers Out:			
Lunch fund	(2,101)	(1,834)	267
Capital projects fund	(60,000)	(60,000)	(120,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(62,101)	(61,834)	(119,733)
<b>NET CHANGE IN FUND BALANCE</b>	63,855	64,852	(119,003)
Fund Balance, July 1	410,251	410,251	-
<b>FUND BALANCE, JUNE 30</b>	\$ 474,106	\$ 475,103	\$ (119,003)

**AuTrain-Onota Public School District**

**School Lunch Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
School lunch activities	\$ 6,116	\$ 6,116	\$ -
State aid	1,824	1,824	-
Federal sources			
Hot lunch	10,639	10,639	-
USDA entitlements	550	889	339
USDA bonus	25	25	-
	<u>19,154</u>	<u>19,493</u>	<u>339</u>
<b>TOTAL REVENUES</b>	<u>19,154</u>	<u>19,493</u>	<u>339</u>
<b>EXPENDITURES:</b>			
School lunch activities:			
Salaries	10,096	10,095	1
Fringe benefits	2,485	2,484	1
Purchased services	8,514	8,588	(74)
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	160	160	-
	<u>21,255</u>	<u>21,327</u>	<u>(72)</u>
<b>TOTAL EXPENDITURES</b>	<u>21,255</u>	<u>21,327</u>	<u>(72)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	(2,101)	(1,834)	267
<b>OTHER FINANCING SOURCES:</b>			
Operating transfer in	2,101	1,834	(267)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**AuTrain-Onota Public School District**

**Capital Projects Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Local sources:			
Other revenue	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Capital Projects activities:			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	-	-	-
<b>OTHER FINANCING SOURCES:</b>			
Operating transfer in	<u>-</u>	<u>60,000</u>	<u>60,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	60,000	60,000
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ 60,000</u></u>	<u><u>\$ 60,000</u></u>

## COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

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DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education  
AuTrain-Onota Public School District  
PO Box 105  
Deerton, Michigan, 49822

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of AuTrain-Onota Public School District, as of and for the year ended June 30, 2008, which collectively comprise the AuTrain-Onota Public School District's basic financial statements and have issued our report thereon dated September 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AuTrain-Onota Public School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AuTrain-Onota Public School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the AuTrain-Onota Public School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the AuTrain-Onota Public School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the AuTrain-Onota Public School District's financial statements that is more than inconsequential will not be prevented or detected by the AuTrain-Onota Public School District's internal control. We consider the deficiencies described in a separate letter to management dated September 19, 2008 listed as item 08-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the AuTrain-Onota Public School District's internal control.

To the Board of Education  
AuTrain-Onota Public School District

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether AuTrain-Onota Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

AuTrain-Onota Public School District's response to the findings identified in our audit is described in the separate letter to management. We did not audit AuTrain-Onota Public School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 19, 2008



ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

*AuTrain-Onota Public Schools  
Report to Management Letter  
For the Year Ended June 30, 2008*

AuTrain-Onota Public Schools  
PO BOX 105  
Deerton, Michigan 49822

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of AuTrain-Onota Public Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered AuTrain-Onota Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

**08-01 - SEGREGATION OF DUTIES (REPEAT)**

**Condition/Criteria:** The accounting staff of the AuTrain-Onota Public Schools is made up of one individual, which does not allow for proper segregation of duties.

AuTrain-Onota Public Schools  
Deerton, Michigan 49822

**Effect:** Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

**Cause of Condition:** The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staffs were large enough to provide optimum segregation of duties.

**Recommendation:** Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

**Management Response - Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Karen Pawielski, Business Manager
- Corrective Action Planned:
  - The Board of Education closely monitors all payments and reviews the financial statements on a monthly basis.
- Anticipated Completion Date:
  - Not Applicable

This communication is intended solely for the information and use of management, AuTrain-Onota Public Schools, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 19, 2008



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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WISCONSIN  
GREEN BAY  
MILWAUKEE

September 19, 2008

AuTrain-Onota Public School  
PO BOX 105  
Deerton, Michigan 49822

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of AuTrain-Onota Public Schools for the year ended June 30, 2008, and has issued our report thereon dated September 19, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 6, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### (Other Information in Documents Containing Audited Financial Statements)

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 15, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by AuTrain-Onota Public Schools are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

AuTrain-Onota Public School  
Deerton, Michigan 49822

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Minor adjustment made to adjust inventory at year end in the Lunch Fund.

Minor adjustment made to adjust Deferred Revenue to actual balance at year end, per client request.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 19, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

AuTrain-Onota Public School  
Deerton, Michigan 49822

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the AuTrain-Onota Public Schools ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the AuTrain-Onota Public Schools financial that is more than inconsequential will not be prevented or detected by the AuTrain-Onota Public Schools internal control. We consider the deficiencies described in a separate letter to management dated September 19, 2008 as item 08-01 to be significant deficiencies in internal control over financial reporting.

This information is intended solely for the use of Board of Education and management of AuTrain-Onota Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants